

Message Text

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ORIGIN NEA-10

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TO AMEMBASSY AMMAN IMMEDIATE
INFO AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 039646

STADIS/////////////////
FOR AMBASSADOR FROM DRAPER

E.O. 11652: GDS

TAGS: MASS, JO, SA

SUBJECT: JORDANIAN FMS LOANS

REF: AMMAN 1489, STATE 36283, JIDDA 1167

1. WE HAVE NOT CLEARED THE FOLLOWING COMMENTS THROUGH ALL INVOLVED OFFICES AND AGENCIES BUT BELIEVE THEY WOULD HAVE NO PROBLEM WITH OUR CONCLUSION THAT JORDAN SHOULD PAY THE \$9.16 MILLION OVERDUE PAYMENT NOW, BEFORE FEBRUARY 16, AND RECOUP WHEN THE SAUDI PAYMENT UNDER THE JANUARY SAUDI-JORDANIAN UNDERSTANDING ARRIVES IN AMMAN.

2. WE RECOGNIZE THAT THIS STEP COULD LAY US OPEN TO LATER CHARGES THAT JORDAN IN EFFECT DREW ON OUR BUDGET SUPPORT FUNDING TO PAY A FMS DEPT TO US. THIS IS REALLY CONFIDENTIAL

PAGE 02 STATE 039646

A FALSE ARGUMENT; SINCE A SAUDI PAYMENT TO JORDAN IS EXPECTED MOMENTARILY AND JORDAN, AS IT DID LAST SUMMER, DECIDED IT HAD TO TAKE STEPS TO PROTECT ITS CREDIT RATING AND THUS THE FUTURE INTEGRITY OF ALL FMS ARRANGEMENTS WITH US.

3. WE'LL TRY TO GET TO YOU AS EARLY AS POSSIBLE TOMORROW A FULL DESCRIPTION OF POSSIBLE IMPLICATIONS OF NO JORDANIAN PAYMENT BY COB ON THE 16TH. CERTAINLY, HOWEVER, THE FY 76 PIPELINE WOULD BE STOPPED (FMS PIPELINE).

4. THERE ARE A COUPLE OF MEANS BY WHICH JORDAN MIGHT
COME UP WITH THE FUNDS.

-- GOJ COULD DRAW DOWN ITS DEPOSITS WITH CENTRAL BANK
ESTIMATED AT ROUGHLY \$75 MILLION LAST NOVEMBER.

-- ALTERNATIVELY, IT COULD BORROW FROM THE CENTRAL BANK
AND ALLOW AMOUNT OF BUDGETARY DEFICIT TO RISE BY AN
EQUIVALENT AMOUNT. WE UNDERSTAND GOJ DESIRE NOT TO DRAW
ON ITS RESERVES BUT FOR AN AMOUNT OF SOME \$9.16 MILLION
THIS ARGUMENT IGNORES THE URGENCY AND LONG-TERM IMPLICA-
TIONS OF THE CURRENT SITUATION. JORDAN IS AMONG THE FEW
NATIONS IN THE WORLD WHO HAVE INCREASED THEIR FOREIGN
EXCHANGE HOLDINGS IN THE LAST YEAR BY FIFTY PERCENT,
WITHOUT RECOURSE TO COMMERCIAL BORROWING, TO A LEVEL WHICH
NOW EXCEEDS JORDAN'S TOTAL MONEY SUPPLY.

-- AS ANOTHER ALTERNATIVE, JORDAN COULD BORROW SHORT
TERM ON THE INTERNATIONAL MONEY MARKET. IF THE JANUARY
78 GOJ-SAG AGREEMENT IS OPERATIVE, AS THE JORDANIANS HAVE
TOLD US IT IS, GOJ SHOULD HAVE INITIAL SAG PAYMENT IN
HAND SOON FOR USE IN REPAYING THIS LOAN.
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PAGE 03 STATE 039646

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